

Message Text

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DRAFTED BY EUREE:DNJOHNSON:LCB
APPROVED BY PM: RERICKSON
DOD: JSIENA
S/P:PKAPLAN
DOD/ISA:EMCVADON
DOD/DSAA:RMALACHOWSKI
PM:SGEIS
DOD/JCS:MWIEDMAIER
EUR/EE:NGANDREWS
ACDA:HFORD

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FM SECSTATE WASHDC
TO AMEMBASSY BELGRADE

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E.O. 11652: GDS

TAGS: MASS, MILI, YO, US

SUBJECT:MILITARY RELATIONS WITH YUGOSLAVIA: INTERAGENCY
GROUP MEETING

1. SUMMARY: THE INTERAGENCY WORKING GROUP ON MILITARY
RELATIONS WITH YUGOSLAVIA MET ON JUNE 8 TO REVIEW CURRENT
MATTERS, PARTICULARLY THOSE ARISING FROM AIR FORCE COS
(AND ACTING JCS CHAIRMAN) GENERAL JONES' RECENT VISIT TO
YUGOSLAVIA. ISSUES DISCUSSED INCLUDED POSSIBLE CREDITS
FOR FMS SALES, THE PRATT & WHITNEY TF-30 ENGINE, AIR TO
SURFACE MISSILE SYSTEMS AND OTHER YUGOSLAV REQUESTS, HIGH-
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LEVEL VISITS, SHIP VISITS AND REPAIRS, AND THE PROPOSED
BILATERAL MILITARY WORKING GROUP. END SUMMARY.

2. THE MEETING WAS CHAIRED BY PM DEPUTY DIRECTOR
ERICKSON AND INCLUDED REPRESENTATIVES FROM DOD, ACDA AND
SEVERAL OFFICES IN STATE. ERICKSON BEGAN BY REVIEWING
THE LIST OF TOPICS AND ASKING WHAT THE USG SHOULD NOW BE

DOING TO FURTHER THE OBJECTIVES OF THE PRESIDENTIAL
DECISION (PD) OF SEPTEMBER, 1977 ON ARMS TRANSFERS TO
YUGOSLAVIA.

3. ON POSSIBLE FMS CREDITS, ERICKSON CITED EMBASSY
BELGRADE'S REPORT THAT THE YUGOSLAVS HAD RAISED THIS
WITH GENERAL JONES, AND NOTED THAT THE PD HAD SPECIFICALLY
STATED THAT SALES WOULD BE FOR CASH ONLY, NOT ON CREDIT.
THERE WAS A GENERAL DISCUSSION IN WHICH IT WAS POINTED
OUT THAT THAT RECOMMENDATION HAD RESULTED FROM THE COMMON
ASSUMPTION THAT THE YUGOSLAVS WOULD NOT WANT CREDITS,
BUT SINCE THAT WAS NO LONGER TRUE WE SHOULD NOT PRECLUDE
THE POSSIBILITY. KAPLAN (S/P) SAID THAT THE S/P PAPER
ON POLICY TOWARD YUGOSLAVIA, PREPARED FOR THE TITO VISIT,
HAD SPECIFICALLY RECOMMENDED THAT WE CONSIDER CREDITS.
JOHNSON (EUR/EE) ASKED WHETHER ANYONE OPPOSED OFFERING
CREDITS. ERICKSON SAID THAT THE CONGRESS WOULD HAVE TO
CONSIDER THE QUESTION AND THAT HEARINGS WOULD UNDOUBTEDLY
BE CALLED, SINCE IT WOULD BE A NEW PROGRAM. HE ASKED
WHETHER THE YUGOSLAV SENSITIVITY TO THIS PUBLICITY WOULD
DISCOURAGE THEM FROM ASKING. HE ALSO SAID THAT MONEY
WOULD BE A PROBLEM, PARTICULARLY IN VIEW OF THE RECENT
HOUSE APPROPRIATIONS COMMITTEE CUT OF 20 PERCENT IN NON-
ISRAELI FMS PROGRAMS. THERE WAS NO POSSIBILITY OF SHIFT-
ING ALLOTMENTS FROM THE FY '79 BUDGET REQUEST, WHICH WAS
ALREADY VERY TIGHT. ANY NEW PROGRAMS FOR YUGOSLAVIA WOULD
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HAVE TO BE PART OF THE FY '80 REQUEST, FOR WHICH PLANNING
WOULD BEGIN SOON. KAPLAN SUGGESTED AMENDING THE PD TO
ESTABLISH THE PRINCIPLE OF CREDIT SALES WOULD CONTRIBUTE
TO THE OBJECTIVES OF THE PD AND WOULD BE HELPFUL IN OUR
RELATIONS WITH BELGRADE. SPECIFIC CREDIT REQUESTS WOULD
OF COURSE HAVE TO BE JUDGED ON THEIR MERITS. ANDREWS
(EUR/EE) ASKED WHETHER THEY COULD NOT PAY CASH FOR SOME
ITEMS AND SEEK CREDITS FOR OTHERS. ERICKSON REPLIED THAT
OTHER COUNTRIES OFTEN DO THIS. HE WAS NEVERTHELESS NOT
OPTIMISTIC AND SAID THAT THE JUSTIFICATION WOULD HAVE TO
BE STRONG. HE SUGGESTED AN EFFORT TO MODIFY THE PD FIRST
AND TASKED JOHNSON WITH PREPARING AN INTERAGENCY MEMO TO
NSC PROPOSING THE CHANGE. MCVADON (DOD/ISA) SAID THAT
ASSISTANT SECRETARY MCGIFFERT WOULD WANT TO CLEAR THE
MEMO, AND SECRETARY BROWN MAY WANT TO SEE IT ALSO.
BROWN HAS AN ACTIVE INTEREST IN YUGOSLAVIA, HE SAID.
MCVADON ALSO SUGGESTED THAT WE CONSIDER THE "POLITICAL
IMPACT" OBJECTIVE OF THE PD. SINCE SECRETARY BROWN
WILL BE HOSTING HIS COUNTERPART SECRETARY LJUBICIC THIS
FALL, IT WOULD CLEARLY ENHANCE OUR POLITICAL IMPACT IF
BROWN COULD OFFER THE POSSIBILITY OF CREDITS. IT WAS
AGREED THAT AN EFFORT WOULD BE MADE TO AMEND THE PD TO

ESTABLISH THE PRINCIPLE OF CREDIT SALES.

4. TURNING TO THE ENGINE FOR THE ORAO II AIRCRAFT, ERICKSON NOTED THAT ANY PROGRAM OF CO-PRODUCTION WOULD REQUIRE A PRESIDENTIAL EXCEPTION TO PD-13. MCVADON

SAID THAT APART FROM THIS CONSIDERATION HE BELIEVES THAT DOD WOULD NOT WISH NOW TO FORECLOSE THE CO-PRODUCTION POSSIBILITY. FUERTH (EUR/PP) SAID THAT IT WOULD CLEARLY ACCORD WITH OUR POLICY OBJECTIVES TOWARD YUGOSLAVIA. ERICKSON SAID THAT PM WOULD STILL HAVE TO OPPOSE IT AND COL. FORD (ACDA) SAID THAT HIS AGENCY WOULD TOO. GEIS (PM) NOTED THAT THE QUESTION WAS ACADEMIC AT THIS POINT SINCE THE YUGOSLAVS HAVE NOT REQUESTED CO-PRODUCTION.
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PRATT AND WHITNEY HAS GENERATED SOME INTEREST, AND THEY PLAN TO SEND A TEAM NEXT WEEK TO DISCUSS FURTHER THE POSSIBLE SALE OF THE P-9 OR P-414 VERSIONS OF THE ENGINE. THEY WILL NOT BE AUTHORIZED TO DISCUSS CO-PRODUCTION. ON OUR RECOMMENDATION, P & W HAS ASKED FOR MUNITIONS CONTROL CLEARANCE TO PRESENT TECHNICAL DATA AND NO OPPOSITION IS EXPECTED. THERE WAS SOME DISCUSSION OF THE COST EFFECTIVENESS OF CO-PRODUCTION IF A LIMITED NUMBER (SAY 100) WERE THE LIKELY TOTAL. IT WAS WIDELY AGREED THAT THE YUGOSLAVS MIGHT HAVE OTHER FACTORS THAN COST IN MIND (E.G. SELF-SUFFICIENCY), BUT THAT THE PROHIBITIONS AGAINST THIRD COUNTRY SALES WOULD HAVE TO BE SPELLED OUT CLEARLY IF ANY SUCH ARRANGEMENT CAME ABOUT. ERICKSON ASKED WHETHER THE GROUP HAD TO MAKE ANY DECISION NOW. ANDREWS SUGGESTED WAITING FOR THE LJUBICIC VISIT TO SEE HOW HE RAISES THE ENGINE ISSUE. HE ASKED HOW MUCH LJUBICIC CARES ABOUT IT. MCVADON AND JOHNSON SAID THAT HE EVIDENTLY CARES VERY MUCH AND MAY SEE THE ENGINE AS THE CENTERPIECE OF YUGOSLAVIA'S APPROACH TO US. FUERTH AGREED, ADDING THAT HE THOUGHT IT WOULD COME UP BEFORE LJUBICIC'S VISIT. WE HAVE SINCE NOTED GOY DESIRE TO VISIT P & W AS REPORTED IN DAO BELGRADE 0313, 091457Z JUNE, AND AGREE TO THE VISIT AS PRELIMINARY TO GOY DECISION AS TO WHETHER TO REQUEST CO-PRODUCTION OR LICENSED PRODUCTION.

5. CONCERNING AN AIR TO SURFACE MISSILE FOR THE SAME AIRCRAFT, MCVADON AND MALACHOWSKI (DOD/DSAA) REVIEWED THE BACKGROUND ON THE REQUEST FOR MAVERICK AND THE USG'S DENIAL OF THE SYSTEM. THEY OUTLINED THAT THE PURPOSE OF THE USAF TEAM WOULD BE TO DISCUSS YUGOSLAV AIR FORCE REQUIREMENTS AND POSSIBLE MAVERICK ALTERNATIVES.

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6. ON HIGH-LEVEL VISITS, DUNLOP (EUR/EE) SAID THAT WE NEED TO BE ABLE TO GIVE LJUBICIC SOME GOOD NEWS WHEN HE COMES IN SEPTEMBER. MCVADON AGREED AND ADDED THAT SECDEF'S SUMMER AND FALL SCHEDULE IS UNDER REVIEW AND THAT THE TIME FOR THE LJUBICIC VISIT SHOULD BE CONFIRMED SOON. HE SAID THAT THERE WAS NO FIRM INDICATION OF WHEN THE OTHER YUGOSLAV SERVICE CHIEFS (MAMULA AND

POTOCAR) WOULD BE ABLE TO COME.

7. CONCERNING SHIP VISITS AND REPAIRS, MACVADON NOTED THAT THE PROPOSED VISIT BY THE CARRIER FORRESTAL COULD NOT BE WORKED OUT DUE TO SCHEDULING PROBLEMS, BUT THAT A REGULAR PATTERN OF VISITS SHOULD BE RESUMED THIS FALL, LEADING AT SOME POINT TO A REQUEST FOR AN NPW VISIT. ON REPAIRS, MCVADON SAID THAT THE USS PRESERVER WOULD NOT BE GOING INTO TIVAT IN MID-JUNE AS EARLIER HOPED. THE YUGOSLAV DELAY ON THIS MAY HAVE BEEN RELATED TO OTHER COMMITMENTS IN THE REPAIR FACILITIES. BUT THEY HAD PROPOSED LATER IN THE SUMMER AND WE HOPED DATES COULD BE WORKED OUT.

8. ON THE PROPOSED MILITARY WORKING GROUP, JOHNSON SAID THAT THE ACTION MEMO ASKING FOR AUTHORIZATION TO PROPOSE THIS TO THE YUGOSLAWS WAS AWAITING SIGNATURE AT THE POLICY LEVEL IN STATE. APPROVAL WAS EXPECTED SHORTLY AND WE EXPECTED NO OPPOSITION FROM NSC. DUNLOP ASKED WHETHER PUBLICITY WOULD HURT THIS IDEA. FUERTH AND JOHNSON REPLIED THAT THERE WAS NO NEED FOR PUBLICITY AND THAT THE YUGOSLAWS ALREADY HAD SIMILAR COMMISSIONS WITH THE UK AND FRANCE. THERE WAS NO CERTAINTY THAT THE YUGOSLAWS WOULD AGREE, BUT WE SAW NO HARM IN ASKING. VANCE

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